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SENATE BILL 2345

By Crowe

AN ACT to authorize the acquisition of certain branch offices of banks located in Tennessee under certain conditions and to amend Tennessee Code Annotated, Title 45, Chapter 2, Part 14, Section 45-2-614 and Section 6 of Public Chapter No. 165, Acts of 1995.

WHEREAS, the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 (P.L. 103-328, 108 Stat. 2338) established a national framework for interstate banking and branching;

WHEREAS, the Riegle-Neal Act specifically preserved certain state rights to authorize acquisition of branches and to establish certain state age law requirements;

WHEREAS, a number of states, including North Carolina and Virginia, have established state laws authorizing the acquisition of a branch, without acquiring an entire bank, on a reciprocal basis;

WHEREAS, no court challenge has been filed contesting the validity of the reciprocal provisions of those states enacting reciprocal provisions;

WHEREAS, allowing the acquisition of a branch of a Tennessee bank on a reciprocal basis would enhance the competitive opportunities for Tennessee banks and their customers, particularly with regard to those in close proximity to the states of North Carolina and Virginia; and

WHEREAS, it is the legislative intent that if a provision permitting the acquisition of a branch on a reciprocal basis is violative of any provision of the Riegle-Neal Act or any other

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federal or state law, such enactment would not have been made; now therefore,

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Section 45-2-1402, is amended by adding the following as an appropriately numbered item and by renumbering subsequent items accordingly;

() "Acquisition of a branch" means the acquisition of all or substantially all of the assets and the assumption of all or substantially all of the liabilities of or related to a branch which has been in operation for at least five (5) years without the acquisition of the entire bank.

SECTION 2. Tennessee Code Annotated, Title 45, Chapter 2, Part 14, is amended by adding the following as a new Section 45-2-1412:

Section 45-2-1412. (a) An out-of-state bank that does not already maintain a branch in Tennessee and that meets the requirements of this title may establish and maintain a branch in Tennessee through the acquisition of a branch.

(b) No branch of an out-of-state bank may be established through the acquisition of a branch, unless the laws of the home state of the out-of-state bank permit Tennessee banks to establish and maintain branches in that state through the acquisition of branches under substantially the same terms and conditions as set forth in this title.

SECTION 3. Tennessee Code Annotated, Section 45-2-614 (d), is amended by:

(i) deleting the word "or" at the end of item (2).

(ii) deleting the period "." at the end of item (3) and by substituting instead a comma and the word "or".

(iii) adding as a new item (4) the following:

(4) An out-of-state bank which acquires a branch in accordance with Tennessee Code Annotated, Section 45-2-1412.

(iv) by inserting the words “or the out-of-state bank acquiring a branch referenced in subdivision (d)(4)” in the second sentence between the language “in subdivision (d)(3)” and “from establishing”.

SECTION 4. Section 6 of Public Chapter No. 165 of The Acts of 1995 is amended by adding the following:

Provided, however, a bank which does not have its home state in Tennessee may establish or acquire a branch in Tennessee on or after May 1, 1998, through the acquisition of all or substantially all of the assets and the assumption of all or substantially all of the liabilities of or related to a branch located in Tennessee which has been in operation for at least five (5) years, provided that the laws of the home state of the out-of-state bank permit Tennessee banks to establish and maintain branches in that state through the acquisition of a branch under substantially the same terms and conditions.

SECTION 5. If any provision of this act or the application thereof to any person or circumstance is held to be invalid for any reason by a final nonappealable order of any Tennessee or federal court of competent jurisdiction, then such court shall declare this entire act to be null and void in its entirety and shall give no further force or effect to it; provided, however, that any transaction that has been fully consummated in good faith pursuant to this act prior to a determination of invalidity, and which is not the subject of dispute or litigation, shall be unaffected by such determination.

SECTION 6. This act shall take effect on May 1, 1998, the public welfare requiring it.